

***Andrew Junkin, CFA, CAIA  
Managing Director & Principal***

May 25, 2011

Dr. George Diehr  
Chair of the Investment Committee  
California Public Employees' Retirement System  
400 Q Street  
Sacramento, CA 95814

Re: Stux Capital Management – Proposed Transition from MDP

Dear Dr. Diehr:

You requested Wilshire's opinion with respect to the proposed transition of Stux Capital Management from the Manager Development Program.

### **Recommendation**

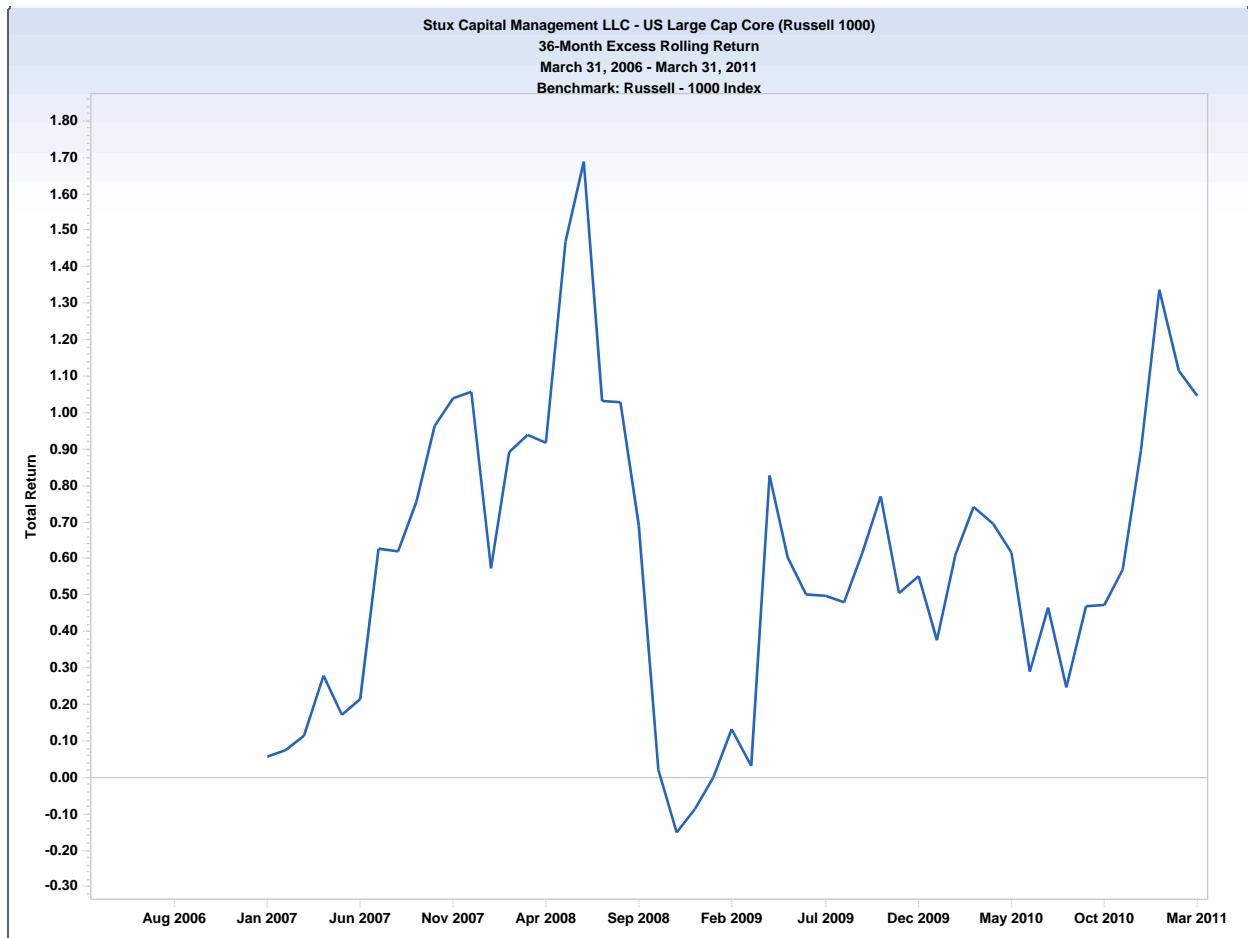
**Wilshire recommends that the Investment Committee approve Stux's transition from the Manager Development Program.**

### **Discussion**

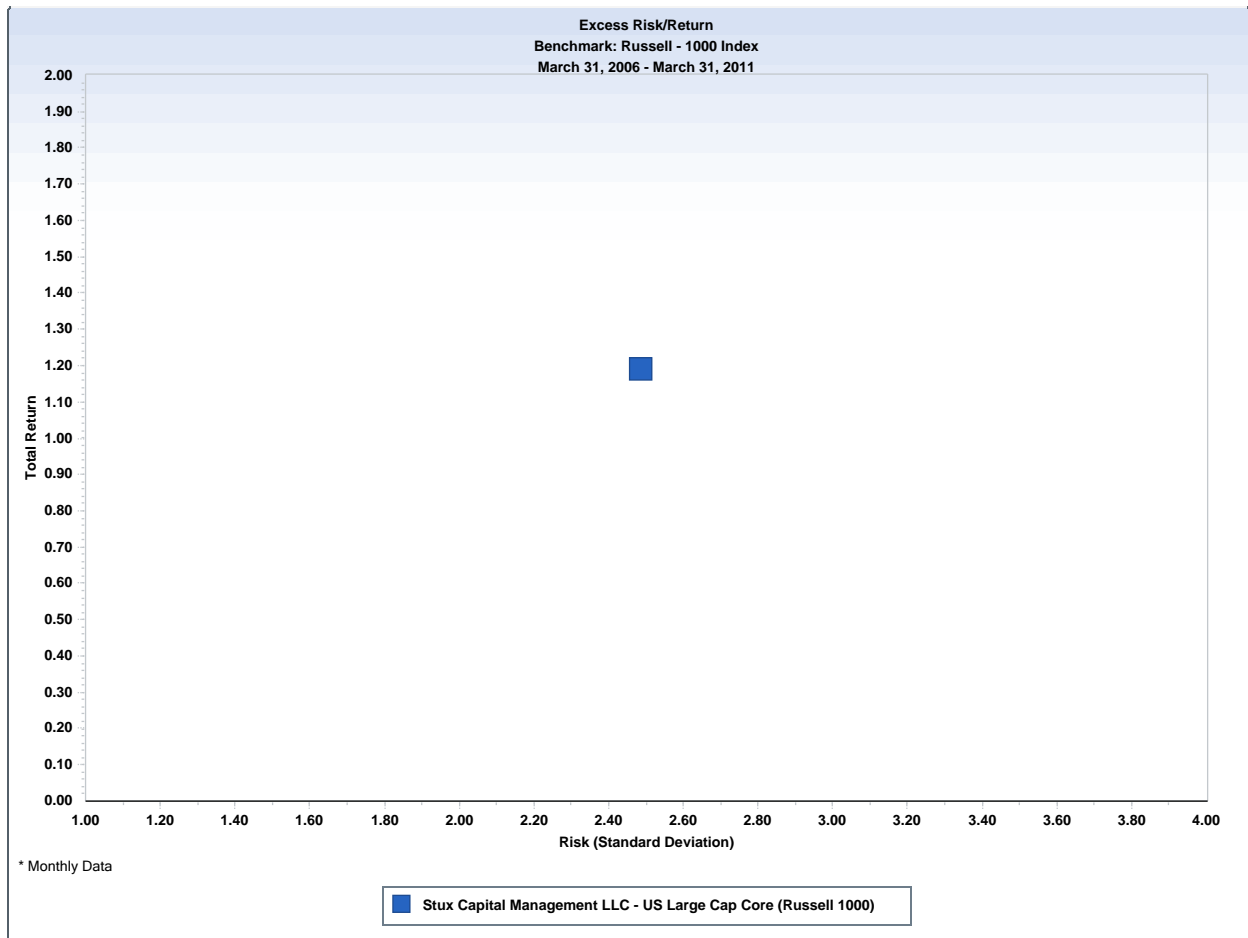
Staff has clearly laid out that Stux meets the pre-established conditions for transition from MDP: growth in firm assets under management, attractive returns, and the ability to complement the existing CalPERS Global Equity portfolio when evaluated under the Global Equity capital allocation model.

Stux manages a broadly diversified, large cap product that seeks to add value while managing annualized tracking error to 1.5%-2.5%. Stux seeks to add value from two primary areas – sector rotation and security selection – using a highly quantitative process. Wilshire's Manager Research group has evaluated Stux and ranks the firm and product highly.

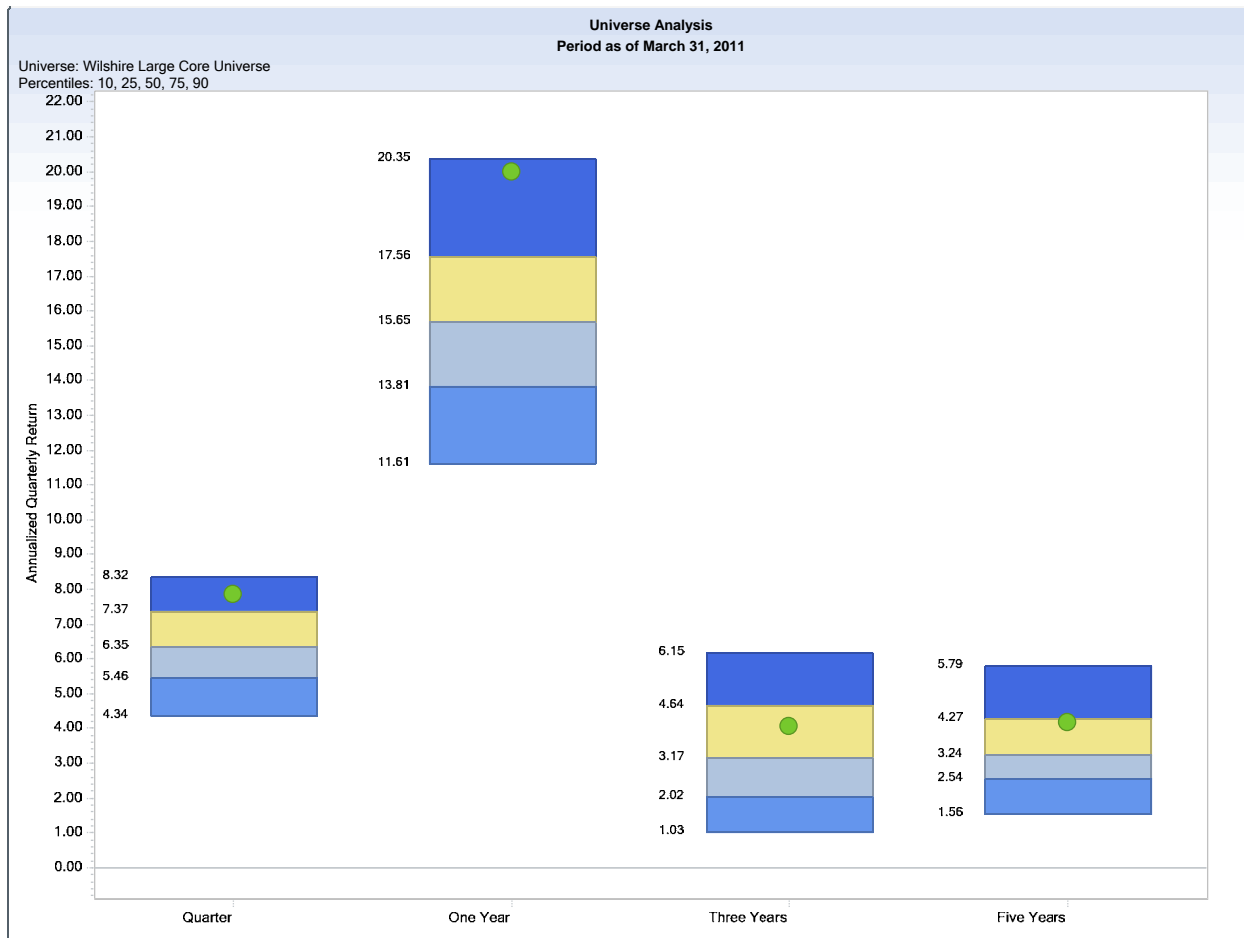
As the graph below presents, Stux has consistently added value over rolling three year periods.



The graph below presents excess return and risk, showing that Stux has added value and maintained their target risk levels.



The graph below presents Stux's performance relative to a universe of other large cap core equity managers.



Wilshire believes that Stux has demonstrated performance that supports Staff's recommendation to transition the firm from the Manager Development Program.

Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

**Wilshire Associates**

370 Interlocken Boulevard Suite 620 Broomfield, CO 80021 TEL 303.626.7444 FAX 303.466.1537  
[www.wilshire.com](http://www.wilshire.com)